



THE NEW JERSEY PINELANDS DEVELOPMENT CREDIT (PDC) PROGRAM

(revised 06/30/06)

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THE PDC PROGRAM

- o The Pinelands Development Credit (PDC) Program is a transfer of development rights (TDR) program that helps to redirect growth in the Pinelands from the preservation and agricultural districts to infrastructure-supported regional growth areas.
- o PDCs are development rights which are allocated to certain lands (“sending areas”) that can be transferred to increase the amount of residential development permitted on other lands (“receiving areas”).
- o Each PDC transfers the right to build four homes and can be bought and sold in 1/4 (or 1 right) increments.
- o Sending areas include preservation and agricultural areas. PDCs may also be allocated to other properties that can’t be developed because of environmental problems. Conservation or agricultural easements are placed on the sending properties when the PDCs are transferred.
- o Allocations to sending properties range from 0.2 PDCs for each 39 acres of undevelopable wetlands, to two PDCs for each 39 acres of upland farmland or active berry agriculture.
- o Receiving areas consist of Regional Growth Areas where zoning allows 46,200 more homes to be built using PDCs than would otherwise be permitted. However, since the program is voluntary and not all developers will use PDCs, there are roughly twice as many opportunities to use PDCs as there are PDCs available for use. As a result, the Commission estimates that only 22,500 additional housing units will be developed with PDCs.
- o PDCs can also be used by property owners in other areas of the Pinelands to build homes on certain lots which are slightly smaller than normally required or which involve slight deviations from development standards.
- o PDCs can be bought and sold privately or through the publicly chartered Pinelands Development Credit Bank. While most PDCs are sold to developers, the state began instituting programs in 1999 to buy and retire PDCs, removing them from the market.

RECEIVING AREA ZONING

- o Municipalities designate residential, commercial, and industrial zones within regional growth areas.
- o Residential zones have an assigned base density (amount of development permitted without PDCs) and a maximum permitted bonus density (amount of development permitted with PDCs).
- o The number of homes which a developer wishes to build on a given parcel of land will determine how many, if any, PDCs are needed.

STATUS OF THE PROGRAM (06/28/06)

- o More than 10,300 transferable development rights (equivalent to 2,575 PDCs) have been formally allocated through Letters of Interpretation issued by the Pinelands Commission.
- o 595 projects using PDCs have been built or approved, or are awaiting approval. These involve 4,490 development rights, or 1,122.50 PDCs.
- o Approximately 6,250 rights have been officially severed (or removed) from sending properties, protecting nearly 52,000 acres of important conservation and farm land.

INGREDIENTS FOR A SUCCESSFUL TDR PROGRAM

- o Clearly define the program's objectives.
- o Clearly define TDR sending and receiving areas.
- o Allocate TDRs to sending areas using an approach (whether it is based on land values or land characteristics) which is reasonable and simple.
- o Locate receiving areas where there is pressure for development and where infrastructure and services can be efficiently provided.
- o Provide more receiving opportunities than there are rights available for transfer.
- o Target future infrastructure investments to the receiving areas.
- o Establish receiving area densities carefully - the threshold above which TDRs will be needed is crucial.
- o Adhere to TDR density bonuses - don't permit rezonings and variances to undermine the program.
- o Evaluate the economics of TDR use in receiving areas to ensure that the return to sending area will match expectations.
- o Keep the program's operation as simple as possible.
- o Aggressively market the program in sending and receiving areas.
- o Be prepared to have the government serve as a middle man if property owners' interest in selling TDRs initially exceeds developers' interest in buying them.

EXAMPLE OF A MUNICIPAL ZONING PLAN FOR PDC RECEIVING AREA

| ZONE NAME | USES PERMITTED | BASE RESIDENTIAL DENSITY | MAXIMUM RESIDENTIAL DENSITY WITH USE OF PDCs |
|------------------|-----------------------|---------------------------------|---|
| R-1.5 | Residential | 1 dwelling unit/acre | 1.5 dwelling units/acre |
| R-3 | Residential | 2 dwelling units/acre | 3 dwelling units/acre |
| R-4 | Residential | 3 dwelling units/acre | 4 dwelling units/acre |
| PRD | Planned Residential | 4.5 dwelling units/acre | 6 dwelling units/acre |
| B-I | Business | not applicable | not applicable |
| PC | Planned Commercial | not applicable | not applicable |
| LI | Light Industrial | not applicable | not applicable |

EXAMPLES OF RESIDENTIAL DEVELOPMENT PLANS AND PDC USE

| PROPERTY SIZE | MUNICIPAL ZONE | MAX. No. OF HOMES OR LOTS PERMITTED W/O PDCs | MAX. No. OF HOMES OR LOTS PERMITTED W/PDCs | No. OF PROPOSED HOMES OR LOTS | NO. OF RESIDENTIAL RIGHTS REQUIRED | No. OF PDCs REQUIRED |
|----------------------|-----------------------|---|---|--------------------------------------|---|-----------------------------|
| 8 acres | R-1.5 | 8 | 12 | 10 | 2 | ½ |
| 10 acres | R-3 | 20 | 30 | 28 | 8 | 2 |
| 30 acres | R-4 | 90 | 120 | 120 | 30 | 7 ½ |
| 50 acres | R-4 | 150 | 200 | 170 | 20 | 5 |
| 100 acres | PRD | 450 | 600 | 570 | 120 | 30 |